July 9, 2014

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: University of Utah – Farmington Ambulatory Care Center Project Approval

Issue

The University of Utah is requesting approval to design and build an Ambulatory Care Center Facility on a property in Farmington, Utah that was approved for purchase by the Regents on November 16, 2012.

Background

The proposed facility is based on the University of Utah Health Sciences master plan strategy of providing accessible health care to patients by creating Ambulatory Care Centers. The initial center, located in South Jordan, has been a huge success in this regard. The proposed new $63 million facility will be funded entirely by operating revenues and cash balances saved over time in anticipation of this project. All O&M costs will be paid by clinical revenues.

The letter from the University requesting this approval is attached. In addition, an executive summary describing the project is attached, which provides significant additional detail. University officials will be present at the meeting to provide additional information and respond to questions from the Regents. Because the capital and O&M costs of the project will not require any state funding, and because it will not require revenue bonding, it can be authorized for design and construction by the State Building Board without legislative authorization.

Commissioner’s Recommendation

The Commissioner recommends Board authorization of this project for presentation to the Building Board for final design and construction approval.

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David L. Buhler
Commissioner of Higher Education

Attachment
June 27, 2014

David Buhler
Commissioner
Board of Regents Building, The Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

RE: Farmington Ambulatory Care Center
Design and Construction Services

Dear Commissioner Buhler,

As mentioned at the May 16, 2014 Board of Regents meeting during the University’s Campus Master Plan presentation, the University of Utah Health System (UUHS) has developed a strategy of providing accessible health care to patients by the creation of Ambulatory Care Centers. This, in part, allows for the decanting of a segment of ambulatory visits on our main campus, allowing for the eventual demolition of the School of Medicine Building and replacing it with a smaller structure – The Medical Education and Discovery Building.

The initial Ambulatory Care Center, located in South Jordan, has been a huge success in providing exceptional primary and specialty care to the residents located in this western corridor, a growing population where limited health care is available. The business and physical models for the Farmington Ambulatory Care Center very closely resembles the South Jordan facility.

The Board of Regents along with the University’s Board of Trustees approved the land purchase last year valued at $8,000,000. Additionally, the UUHS is budgeting $5,000,000 for startup costs. Apart from these costs, the project budget (full design, construction – including soft costs), seeking Board of Regent approval, is estimated at $63,000,000. All costs will be funded by operating revenues and cash balances saved over time in anticipation of this strategy. As an auxiliary operation, O&M will be paid by clinical revenues.

The University of Utah respectfully seeks your support of this request and the opportunity to present this project, seeking approval, to the Finance and Facilities Committee at the July 18, 2014 Board of Regents meeting.

Thanks, as always, for your consideration and support.

Sincerely,

John Nixon
Chief Business Officer
Cc: Dr. David W. Pershing
    Dr. Gregory L. Stauffer
    Ralph Hardy
    Brian Shuppy
    Michael G. Perez
    David Browdy

Attachment: Farmington Ambulatory Care Center
C:/university/regsents/2014/Farmington Care Center.doc
Why Ambulatory care centers? Ambulatory Care Centers (ACCs) are vital to our long-term success. They make the University of Utah Health System (UUHS) more accessible to patients, sustain our market share in a competitive environment and position us to deliver population management along the Wasatch Front.

Why Farmington? We have the fortune of running our business in a growing market. It is important we establish ourselves in pockets of greatest opportunity. Three features of Farmington make it particularly desirable: (1) population growth, (2) physician shortages, and (3) geographic location.

How does this fit with our business? The Farmington Clinic will provide a convenient location and range of services for current and new patients and will create capacity for the advanced specialty services offered by the U on the hill by moving lower acuity visits to the community. The multispecialty ACC model is well-suited to current and future health care payment models, which is critical for financial sustainability.

Building Specs, Cost and Capacity. At 128K ft², Farmington will be designed to maximize utilization without sacrificing patient experience. Total cost is $76M: $40M for the building, $23M for equipment, $8M for land, and $5M in startup costs. The space can accommodate 50 full-time clinicians, which will be evenly split between primary and secondary care.

Financing. The components of the health system are contributing operating revenues and cash balances saved in anticipation of this strategy. We will seek low-rate commercial lending to finance the equipment.

Business Model. Our value proposition for our Farmington ACC is patient-focused primary care and secondary care available at convenient hours with minimal-to-no access lag. Clinicians whose passion is clinical care will staff our Farmington ACC and a full compliment of ancillary services will be available on-site. We will integrate practices and reward high performers in order to ensure high utilization and a maximum return on investment.

Education and Research. Farmington will generate patient volumes needed to sustain our educational and research programs and in turn ensures that we deliver on our single, unified mission of advancing health. Research will inform clinical care delivered on site and clinical margins will help support research. Similarly, Farmington will serve as a training ground for students who will help us deliver care in a setting closer to where many of them will ultimately spend their careers.